



# U.S.-Korea Free Trade Agreement

## What's At Stake for Wheat?

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The U.S.-Korea Free Trade Agreement (KORUS FTA) will provide America's farmers, ranchers, food processors, and the businesses they support with improved access to the Republic of Korea's 49 million consumers. If approved by Congress, this would be the most economically significant trade agreement for the U.S. agricultural sector in more than 15 years.

Under this agreement, more than 60 percent of U.S. agricultural exports will become duty-free immediately. Lower tariffs benefit both U.S. suppliers and Korea's consumers. The KORUS FTA will help the United States compete against Korea's other major agriculture suppliers and help keep the United States on a level playing field with Korea's current free trade partners, such as Chile, and any future FTA partners.

In October 2009, Korea finalized its FTA with the European Union. Korea has FTAs in place with Chile, India, and the 10-country ASEAN group, and is negotiating new FTAs with Canada, Australia, New Zealand, and China. Most of these countries are U.S. competitors. Should the United States not implement the KORUS FTA, the U.S. share of Korea's total agricultural imports, which stood at nearly 30 percent in 2009, could steadily erode.

### *With the Agreement...*

An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement. Korea's imports of U.S. wheat will no longer be subject to Korea's 1.8-percent World Trade Organization (WTO) tariff or the 1-percent tariff under its autonomous tariff-rate quota (TRQ). Therefore, the agreement may provide some advantage. Although this tariff differential may be small, it would provide a small tariff advantage when competing against other wheat suppliers.

### *The Trade Situation...*

In 2009, Korea was the fifth largest market for U.S. wheat. From 2007 through 2009, U.S. suppliers shipped an annual average of 1.2 million metric tons of wheat valued at \$377 million. The U.S. share of Korea's import market was 33 percent in 2009, comprised of only milling quality wheat. U.S. wheat faces strong competition from Ukraine and Australia.

### *The Current Market Access Situation...*

U.S. wheat faces TRQs of 2.4 million tons for milling-quality wheat; the applied in-quota tariff is 1.0 percent. Almost all wheat shipped by the United States to Korea is non-durum wheat, for which Korea has a WTO bound tariff of 1.8 percent.